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New England Gas Company

PUBLIC UTILITIES COMMISSION

August 1, 2005

VIA HAND DELIVERY

Luly Massaro, Commission Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

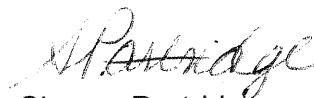
Re: Docket No. 3690 Distribution Adjustment Charge Filing

Dear Luly:

In accordance with the provisions of the Distribution Adjustment Clause ("DAC") Tariff, RIPUC NEGC No. 101, Section 3, Schedule A, enclosed for filing please find an original and nine copies of the New England Gas Company's ("Company") annual DAC filing. The filing consists of the prefiled testimony of Peter C. Czekanski with associated attachments in support of changes to various components of the DAC. Whereas the underlying data for other components of the DAC only become available subsequent to August 1st, the Company will supplement this filing on or before September 1, 2005 and provide a proposed DAC rate incorporating factors for all components.

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me.

Sincerely,



Sharon Partridge
Vice President of Finance

Enc.

cc: Paul Roberti, Esq.
Steve Scialabba
Bruce Oliver
David Effron
Cheryl Kimball, Esq.

100 Weybosset Street
Providence, RI 02903

www.negasco.com

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

NEW ENGLAND GAS COMPANY
DOCKET NO. 3690

DIRECT TESTIMONY

OF

PETER C. CZEKANSKI

August 1, 2005

I. INTRODUCTION

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Peter C. Czekanski. My business address is 100 Weybosset Street,
3 Providence, RI 02903.

4 Q. WHAT IS YOUR POSITION AND RESPONSIBILITIES?

5 A. I am Director of Pricing for the New England Gas Company ("NEGC" or the
6 "Company"). My responsibilities include overseeing the design, implementation and
7 administration of rates charged by NEGC. I also direct the development of the
8 Company's sales and revenue forecasts.

9 Q. WHAT IS YOUR PROFESSIONAL AND EDUCATIONAL BACKGROUND?

10 A. I was first employed by Providence Gas Company (“ProvGas”) in January 1995 as a
11 Pricing Analyst with responsibility for assisting in rate design, tariff administration
12 and other regulatory activities. I was promoted to my current position in March 1998.
13 I have previously testified in numerous proceedings before this Commission,
14 including: (1) Docket No. 3401, the Company’s most recent rate case proceeding; (2)
15 Docket No. 3436, the Gas Cost Recovery filing; (3) Docket Nos. 1673 and 1736, the
16 former ProvGas and Valley Gas cost of gas adjustment filings; (4) Docket No. 2902,
17 enhancements to the Business Choice Program; and (5) in the Docket Nos. 3459 and
18 3548 in support of the Distribution Adjustment Charge. I have also testified before

1 the Massachusetts Department of Telecommunications and Energy on behalf of North
2 Attleboro Gas Company in Dockets D.T.E. 01-17 and D.T.E. 01-47 and Fall River
3 Gas Company in Docket D.T.E. 04-06.

4 Prior to joining NEGC, I was employed by NYNEX (now Verizon) for 24 years
5 where I held various positions in the Regulatory, Government Relations and
6 Marketing departments. While part of the Regulatory department at NYNEX, I
7 prepared and filed testimony and testified in various dockets before the Rhode Island,
8 Massachusetts and Vermont regulatory commissions on matters related to rate design,
9 pricing and cost issues.

10 My educational background includes a Bachelor of Science degree in Electrical
11 Engineering from Brown University. In addition, during my career at NYNEX, I
12 completed a variety of business and management courses.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of this testimony is to describe the changes to the various components of
15 the Distribution Adjustment Charge (“DAC”) and to propose updated factors to be
16 effective November 1, 2005. In addition, this testimony will describe the
17 reconciliation of various DAC components for fiscal year 2005 (“FY2005”).

18 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

1 A. My testimony is composed of four (4) general sections: *I.* the Introduction; *II.* a DAC
2 Summary; *III.* the DAC Component Details; and *IV.* the DAC FY2005
3 Reconciliation.

4 **Q. ARE THERE ANY ATTACHMENTS ACCOMPANYING YOUR
5 TESTIMONY?**

6 A. Yes. I am sponsoring the following Attachments:

7 PCC-1 Summary of Distribution Adjustment Charges
8 PCC-2 System Pressure
9 PCC-3 Environmental Response Cost
10 PCC-4 On-System Margin Credits
11 PCC-5 Weather Normalization
12 PCC-6 FY2005 Reconciliation

II. DAC SUMMARY

13 **Q. PLEASE DESCRIBE THE DAC AND THE VARIOUS COMPONENTS THAT
14 ARE INCLUDED.**

15 A. The DAC was established in Docket No. 3401 to provide for the recovery and
16 reconciliation of the costs of identifiable special programs, as well as to facilitate the
17 timely rate recognition of incentive provisions. As described in the Company's tariff
18 NEGC No. 101 in Section 3, Schedule A, the DAC includes an annual System
19 Pressure factor, a Demand Side Management ("DSM") factor, a Low Income
20 Assistance Program ("LIAP") factor, an Environmental Response Cost ("ERC")

1 factor, an On-System Margin Credit factor, a Weather Normalization ("WN") factor,
2 an Earnings Sharing factor and a Reconciliation factor for the previous year.

3 **Q. WHAT IS THE PROPOSED DAC RATE?**

4 A. The proposed DAC rate has not been finalized as of August 1st because underlying
5 data for the development of some components only becomes available later in the
6 month. As discussed later in this testimony, the Company will supplement this filing
7 on or before September 1, 2005 and provide a proposed DAC rate incorporating
8 factors for all DAC components. Attachment PCC-1 provides a preliminary
9 summary of the various components with rates as currently available. Consistent
10 with the provisions of the Company's tariff NEGC 101, Section 3, Schedule A, the
11 updated DAC rates are proposed to be effective with consumption starting November
12 1, 2005.

III. DAC COMPONENT DETAILS

13 **Q. WHAT IS THE SYSTEM PRESSURE COMPONENT**

14 A. Maintaining proper operating pressures on the Company's distribution system
15 requires the occasional use of the Company's LNG facilities. The system pressure
16 component reflected in the DAC represents the associated projected LNG costs for
17 the period November 1, 2005 through October 31, 2006. This component reflects the
18 product of forecasted 2005-06 LNG costs (withdrawal commodity, inventory

1 financing, and supplier demand) and the percentage of local storage used to maintain
2 system pressures. As established in Docket No. 3401, NEGC's system balancing
3 percentage is 20.39 percent. The LNG system pressure portion of LNG Operating
4 and Maintenance costs was established at the time of the Company's last rate case and
5 is recovered in base rates.

6 **Q. HOW DID THE COMPANY ESTABLISH THE LNG COSTS REFLECTED IN
7 THIS FILING?**

8 A. The LNG costs reflected in this filing are based on preliminary cost estimates that
9 will be updated as part of the Company's September 1, 2005 Gas Cost Recovery
10 ("GCR") filing. In the GCR filing, LNG related commodity costs are calculated for
11 the future 12-month period November 2005 through October 2006. The system
12 pressure component is then subtracted out for purposes of calculating the GCR
13 charge. This filing incorporates that system pressure component for the 12-month
14 period November 2005 through October 2006. A detailed discussion on the
15 development of the forecasted LNG commodity related costs will be included in the
16 Company's September 1, 2005 GCR filing. See Attachment PCC-2 for preliminary
17 cost estimates.

18 **Q. PLEASE DESCRIBE THE DSM PROGRAM.**

19 A. The existing DSM program was established in Docket No. 2025 to promote
20 development of energy-efficient natural gas technologies that increase utilization of

1 natural gas during periods of low demand. Increased off-peak usage reduces the unit
2 cost of gas for all customers by generating distribution revenues to support fixed costs
3 associated with resources needed during peak periods. The DSM program provides
4 rebates for technologies such as natural gas powered fleet vehicles, chilling systems,
5 electrical generators, process heating, desiccant dehumidifiers, as well as for
6 residential high efficiency space heating equipment.

7 **Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE DSM
8 PROGRAM?**

9 A. Not as part of this filing. The Company is a participant in the Rhode Island
10 Greenhouse Gas ("RI GHG") process and is currently working with the Division on
11 possibly adding some programs to the existing DSM program. Any such changes will
12 be filed with the Commission separate from this docket and are being designed to not
13 involve any change in the level of annual funding.

14 **Q. WHAT IS THE CURRENT LEVEL OF FUNDING?**

15 A. Under Commission Order No. 17381 in Docket No. 3401, funding was included in
16 base rates at an annual level of \$300,000. Since the Company is not proposing any
17 change to the existing program or level of funding at this time, there is no proposed
18 adjustment to the base rate annual funding. The DSM component of the DAC
19 remains at zero.

1 **Q. WHAT LEVEL OF FUNDS ARE AVAILABLE FOR NEW PROJECTS IN**
2 **FY2006?**

3 A. At the end of FY2005, the DSM Rebate account had a balance of \$1,274,475 of
4 which \$387,386 was designated for approved projects awaiting final customer
5 implementation and another \$572,784 of rebates are being reviewed by the Division
6 and TEC-RI. This leaves a balance of \$314,305 carried over from FY2005 plus the
7 above mentioned annual funding of \$300,000 or a total of \$614,305 available for new
8 projects in FY2006.

9 **Q. PLEASE DESCRIBE THE LOW INCOME ASSISTANCE PROGRAMS.**

10 A. The low-income assistance programs included with this DAC component are the Low
11 Income Heating Energy Assistance Program ("LIHEAP") and the Low Income
12 Weatherization Program. LIHEAP is a Federally-funded, State administered program
13 providing funding to assist low income customers in paying their heating bills. The
14 NEGC program piggybacks on the State program and provides additional credits on
15 customers' gas bills. The Low Income Weatherization Program provides
16 supplemental funding to the weatherization program administered by the Rhode
17 Island Energy Office. Under Commission Order No. 17381 in Docket No. 3401,
18 funding for LIHEAP and the weatherization program was included in base rates at an
19 annual level of \$1,585,000 and \$200,000, respectively. The Company is not
20 proposing any change to the existing program or level of funding at this time.

1 Accordingly, the Low Income Assistance Programs component of the DAC remains
2 at zero.

3 **Q. WHAT LEVEL OF FUNDS ARE AVAILABLE FOR LOW INCOME
4 ASSISTANCE PROGRAMS IN FY2004?**

5 A. For FY2006, the Company has available \$1,585,000 for LIHEAP and \$200,000 for
6 the low income weatherization program. There are also an additional \$202,369 of
7 funds being carried over from FY2005 for LIHEAP.

8 **Q. PLEASE EXPLAIN THE PURPOSE OF THE ENVIRONMENTAL
9 RESPONSE COST FACTOR.**

10 A. The ERC Factor is designed to allow NEGC to recover its reasonable and prudently
11 incurred costs for evaluation, remediation and clean-up of the sites associated with
12 NEGC's ownership and operation of manufactured gas plants ("MGP"), manufactured
13 gas storage facilities, and MGP-related off-site waste disposal locations. In addition,
14 the ERC Factor includes recovery of environmental costs for removing and replacing
15 mercury regulators and addressing meter disposal issues.

16 **Q. PLEASE DESCRIBE THE PROPOSED ERC FACTOR.**

17 A. Consistent with the Company's Tariff, NEGC No. 101, Section 3, Schedule A, Item
18 3.4, the ERC factor is a per-therm charge that reflects the 10-year amortization of
19 Environmental Response Costs. As shown on Attachment PCC-3 page 1, the

1 proposed ERC factor reflects annual amortization expenses totaling \$616,133. A
2 breakdown of this amortization expense is provided on Attachment PCC-3 page 2.
3 Environmental project specific expenses for the most recent year, fiscal FY2005 are
4 provided on page 3 of the attachment. Descriptions of the various environmental
5 projects and the FY2005 activities can be found in the annual environmental report
6 filed with the Commission under separate cover letter dated August 1, 2005. Netting
7 the total amortization expenses against the \$1,310,000 of ERC funding embedded in
8 base rates leaves a balance of \$693,867 to be refunded to ratepayers over the
9 November 2005 through October 2006 period. It should be noted that the fiscal year
10 2005 data is considered preliminary and if there are any changes when the Company's
11 books are finalized for the fiscal year, the Company will file an updated calculation.

12 **Q. WHAT IS THE CREDITING OF MARGINS FROM ON-SYSTEM NON-FIRM
13 SALES AND TRANSPORTATION?**

14 A. The crediting of margins from on-system non-firm sales and transportation services
15 provides an offset to some of the distribution system costs. Under the provisions in
16 NEGC No. 101 Section 3, Schedule A 3.5, an annual threshold level for non-firm
17 sales and transportation margins is established at \$1.6 million. For each twelve-
18 month period beginning July 1st, all margins derived from non-firm sales and
19 transportation over the threshold level shall be shared on a 75 percent 25 percent basis
20 between customers and shareholders, respectively. If the annual margins are less than
21 the threshold, the shortfall will be recovered from customers.

1 **Q. PLEASE DESCRIBE THE CALCULATION OF NON-FIRM MARGINS AND**
2 **ANY AMOUNTS AVAILABLE FOR SHARING WITH CUSTOMERS.**

3 A. Non-firm margins are calculated as the difference between non-firm sales and
4 transportation revenues and non-firm gas costs. For the 12-months ending June 30,
5 2005, the Company recorded \$3,152,849 of non-firm margins net of gross earnings
6 tax, \$1,552,849 more than the \$1.6 million threshold. Seventy-five percent of the
7 \$1,552,849, or \$1,164,637 will be credited to customers and twenty five percent, or
8 \$388,212 will be retained by the Company. Attachment PCC-4 shows the monthly
9 non-firm usage, revenue and margins and the calculation of the margin sharing.

10 **Q. PLEASE EXPAIN THE WEATHER NORMALIZATION COMPONENT.**

11 A. The weather normalization clause provides for crediting/debiting customers when
12 weather over the past winter is colder/warmer than normal. In the November
13 through April period, if weather was more than 2 percent colder than normal or more
14 than 2 percent warmer than normal a credit/debit is calculated at the rate of \$9,000
15 per degree day. During the winter period November 2004 through April 2005, the
16 weather was colder than normal and there were 178 degree days in excess of the
17 threshold, which equates to \$1,602,000 to be credited to customers. Attachment
18 PCC-5 shows the calculation of the weather normalization credit.

19 **Q. PLEASE DESCRIBE THE EARNINGS SHARING COMPONENT.**

1 A. Under the provisions of the Commission approved settlement agreement in Docket
2 No. 3401, an incentive-based Earnings Sharing Mechanism ("ESM") was established
3 to provide for the sharing of consolidation savings between the Company and its
4 customers. The ESM is based on a benchmark return on equity of 11.25 percent,
5 excluding the Company's portion of non-firm margins described earlier in this
6 testimony. Any annual earnings over 11.25 percent in the prior fiscal year, up to and
7 including 100 basis points, will be shared 50 percent to customers and 50 percent to
8 the Company. Any earnings in excess of 12.25 percent will be shared 75 percent to
9 customers and 25 percent to the Company.

10 Q. **HAS THE COMPANY PERFORMED THE EARNINGS SHARING
11 CALCULATION FOR INCLUSION IN THIS TESTIMONY?**

12 A. The Company has not yet performed the earnings sharing calculation because the
13 Company's financial data for the fiscal year ending June 30, 2005 has not yet been
14 completed. As soon as the data is available, the Company will perform this
15 calculation and will supplement this filing with testimony supporting the calculation
16 no later than September 1, 2005.

17 Q. **LAST OCTOBER THE COMMISSION APPROVED INTERIM EARNINGS
18 SHARING AT THE LEVEL OF \$390,545 AND MADE ADDITIONAL
19 ADJUSTMENTS AT AN OPEN MEETING IN APRIL, 2005. ARE THESE
20 ADJUSTMENTS IN THIS FILING?**

1 A. No, they will be included with the Company's earnings sharing supplement filing
2 mentioned above.

3 Q. **SHOULD THERE BE A COMPONENT IN THE DAC FOR PENALTIES**
4 **UNDER THE COMPANY'S SERVICE QUALITY PROGRAM?**

5 A. In the Service Quality Docket No. 3476, it was agreed that any penalty amounts
6 resulting from the approved Service Quality Plan would be passed on to customers in
7 the DAC as part of the Company's annual DAC filing. As reflected in the
8 Company's Fiscal Year 2005 Annual Report on Service Quality Plan (filed with the
9 Commission under cover letter dated August 1, 2005) the performance was within the
10 established benchmarks and no penalties were applicable. Accordingly, there are no
11 service quality penalties included in the current DAC filing.

IV. DAC FY2004 RECONCILIATION

12 Q. **WHAT IS COVERED UNDER THE RECONCILIATION COMPONENT OF**
13 **THE DAC?**

14 A. The unit DAC rates for the previously described components are established on the
15 basis of a projected level of consumption. The Reconciliation component of the DAC
16 allows for the reconciliation of the actual costs and revenues with the previous
17 projections. The individual items being reconciled fall into one of two general
18 groupings, those being reconciled on the basis of FY2005 going from July 2004

1 through the end of June 2005 and those being reconciled on the basis of the gas year
2 which goes from November 2004 through the end of October 2005. A summary of
3 the various items being reconciled is shown on Attachment PCC-6, page 1. The first
4 three items shown relate to the reconciliation of actual levels of revenues collected
5 versus the level of funding that was incorporated in the establishment of base rates.
6 For example, at the time of the Company's last rate case, Docket No. 3401, it was
7 agreed to include in the development of base distribution rates, low income assistance
8 funding at the level of \$1,785,000 plus a working capital allowance. The
9 reconciliation accounts for any differences in total consumption or firm throughput
10 during FY2005 versus at the time of Docket No. 3401 to insure that low income
11 assistance funding is maintained at the annual level of \$1,785,000. Similarly, DSM
12 funds and Environmental Response Cost funds are reconciled with the approved base
13 rate levels of \$300,000 plus a working capital allowance and \$1,310,000,
14 respectively.

15 **Q. PLEASE DESCRIBE THE DSM RECONCILIATION.**

16 A. As described above, the DSM base rates reconciliation accounts for actual DSM
17 revenues collected versus the FY2005 level of funding built into base rates. During
18 FY2005, revenue collected was greater than projected due to the colder than normal
19 winter resulting in an overcollection as of June 30, 2005 of \$15,855 as shown on
20 Attachment PCC-6 page 1.

1 **Q. WHAT ABOUT THE LIAP AND ENVIRONMENTAL BASE RATE
2 RECONCILIATION AMOUNTS?**

3 A. Similar to the situation with DSM there were overcollections resulting in June 30,
4 2005 balances of \$99,243 and \$65,967 for the LIAP and Environmental base rates
5 items, respectively. These amounts are shown on Attachment PCC-6 page 1 with
6 monthly details shown on pages 2 and 3.

7 **Q. PLEASE DESCRIBE THE RECONCILIATION OF SYSTEM PRESSURE.**

8 A. When the current DAC was established on November 1, 2004, the system pressure
9 component was calculated on the basis of projected LNG costs included in the
10 Company's September 2004 GCR filing. This past winter was colder than normal,
11 resulting in more LNG being used than projected and at the same time the cost of the
12 LNG commodity was higher than projected. As shown on page 1 of Attachment
13 PCC-6, the net result is a system pressure undercollection with a deferred cost
14 balance of \$174,878 as of the end of October 2005. A detailed calculation of the
15 deferred balance is provided on page 4.

16 **Q. WHAT IS THE ENVIRONMENTAL - DAC RECONCILIATION ITEM
17 SHOWN ON ATTACHMENT PCC-6, PAGE 1, LINE 5.**

18 A. Whereas the previously described environmental reconciliation item was a true-up to
19 the level of funding reflected in base distribution rates, the environmental-DAC
20 reconciliation is a true-up of the incremental revenues incorporated in the 2004-2005

1 DAC. During FY2004 insurance recoveries were in excess of expenses and the 2004-
2 2005 DAC reflected a net credit to customers of \$707,538. Due to the colder than
3 normal winter in FY2005, total thru-put was greater than projected resulting in
4 crediting customers more than the \$707,538. This reconciliation item reflects a
5 deferred balance of \$12,373 to be collected from customers in the upcoming year. A
6 detailed calculation is shown on Attachment PCC-6, page 4.

7 **Q. PLEASE DESCRIBE THE ON-SYSTEM MARGIN CREDIT
8 RECONCILIATION.**

9 A. In the 2004-2005 DAC, there was a credit of \$246,514 as a result of FY2004 non-
10 firm margins in excess of the \$1.6 million dollar threshold established in Docket No.
11 3401. The On-System Margin Credit reconciliation calculates that the deferred
12 balance of that account at the end of October 2005 will be a positive \$14,334 meaning
13 customers received credits in excess of the \$246,514.

14 **Q. WHAT ABOUT THE REMAINING RECONCILIATION ITEMS?**

15 A. The Weather Normalization and Earnings Sharing Mechanism items are similar to the
16 Environmental-DAC and On-System Margin Credit items described above. In the
17 2004-2005 DAC, all of these items reflected a credit going to customers and as a
18 result of increased thru-put due to colder than normal weather, the deferred balances
19 are positive amounts. The last reconciliation item, the Previous Reconciliation
20 Factor, is slightly different in that in the 2004-2005 DAC, this component was

1 intended to collect \$528,756 based on projected October 31, 2004 ending balances.
2 Actual account ending balances were \$90,633 higher than projected (see Attachment
3 PCC-6, pages 7-9) resulting in a revenue requirement of \$619,389 at the start of the
4 2004-2005 DAC year. With actual collections through June 30, 2005, the October
5 31, 2005 projected deferred balance is an under collection of \$86,883.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

Preliminary Summary of Distribution Adjustment Charge
(\$ Per Therm)

Line No.	Description	reference	Factor
1	System Pressure	Attach. PCC2	\$0.0054 #
2	Demand Side Management (DSM)	PCC Testimony	\$0.0000
3	Low Income Assistance Programs (LIAP)	PCC Testimony	\$0.0000
4	Environmental Response Cost (ERC)	Attach. PCC-3	(\$0.0019)
5	On-System Margin Credits (MC)	Attach. PCC-4	(\$0.0033)
6	Weather Normalization (WN)	Attach. PCC-5	(\$0.0045)
7	Earnings Sharing Mechanism (ESM)	PCC Testimony	#
8	Reconciliation Factor (R)	Attach. PCC-6	\$0.0014 #
9	Subtotal	sum ([1]:[8])	(\$0.0029)
10	Uncollectible Percentage	Dkt 3401	2.10%
11	DAC adjusted for uncollectible	[9] / (1 - [10])	(\$0.0029) per therm

note # Preliminary - to be updated with supplemental filing

Calculation of System Pressure Factor

	LNG Commodity Related Costs			
	Withdrawal Commodity (GCR Docket)	Inventory Costs (GCR Docket)	Demand from GCR (GCR Docket)	Total
Nov-05	\$122,022	\$68,358	\$283,425	\$473,805
Dec-05	\$412,685	\$68,769	\$263,300	\$744,754
Jan-06	\$2,517,743	\$67,494	\$263,300	\$2,848,537
Feb-06	\$839,783	\$46,811	\$263,300	\$1,149,894
Mar-06	\$353,185	\$48,035	\$263,300	\$664,520
Apr-06	\$176,413	\$49,905	\$283,425	\$509,742
May-06	\$182,354	\$51,951	\$283,425	\$517,730
Jun-06	\$176,169	\$58,392	\$283,425	\$517,986
Jul-06	\$181,986	\$59,923	\$283,425	\$525,334
Aug-06	\$181,993	\$62,309	\$283,425	\$527,728
Sep-06	\$176,222	\$67,103	\$283,425	\$526,750
Oct-06	\$182,136	\$69,471	\$283,425	\$535,031
Total	\$5,502,690	\$718,522	\$3,320,600	\$9,541,812
System Balancing Factor (Dkt 3401)	0.2039	0.2039	0.2039	
GCR Costs allocated to DAC	\$1,121,998	\$146,507	\$677,070	\$1,945,575
Firm Thru-put				35,767,814 dth
System Pressure Factor				\$0.0544 per dth
System Pressure Factor				\$0.0054 per Therm

Environmental Response Cost (ERC) Factor

Line No.	Description	reference	Amount
1	Amortization of Pre-FY2003 expenses - year 4 of 10	page 2	\$1,251,025
2	Amortization of FY2003 expenses - year 3 of 10	page 2	(\$601,267)
3	Amortization of FY2004 expenses - year 2 of 10	page 2	(\$47,296)
4	Amortization of FY2005 expenses - year 1 of 10	page 2 and 3	\$13,671
5	Subtotal	sum ([1]:[5])	\$616,133
6	Base Rate Embedded ERC Funding	Dkt 3401	\$1,310,000
7	Net Requirement	[5] - [6]	(\$693,867)
8	Firm Thru-put Nov 05 - Oct 06 (Dth)		35,767,814 Dth
9	Environmental Response Cost Factor per Dth	[7] / [8]	(\$0.0194) per Dth
10		[9] / 10	(\$0.0019) per therm

ENVIRONMENTAL RESPONSE COST RECOVERY

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
ENVIRONMENTAL AMORTIZATION															
June 30, 2002															
NET ERC costs net of insurance	\$12,510,252														
Amortization Period (years)	10														
FY 2003															
NET ERC costs net of insurance	(\$6,012,673)														
Amortization Period (years)	10														
FY 2004															
NET ERC costs net of insurance	(\$472,960)														
Amortization Period (years)	10														
FY 2005															
NET ERC costs net of insurance	\$136,707														
Amortization Period (years)	10														
Amortization Expenses sub-total	\$ -	\$ 1,251,025	\$ 649,758	\$ 602,462	\$ 616,133	\$ 616,133	\$ 616,133	\$ 616,133	\$ 616,133	\$ 616,133	\$ 616,133	\$ 616,133	\$ 634,895	\$ (33,625)	\$ 13,568
ENVIRONMENTAL REMEDIATION COSTS															
Beginning Balance	\$12,510,252	\$12,510,252	\$ 6,497,579	\$ 6,024,619	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326
Environmental Expenditures, net of Insurance	\$ (6,012,673)	\$ (472,960)	\$ (472,960)	\$ (36,707)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Ending Balance	\$12,510,252	\$ 6,497,579	\$ 6,024,619	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326	\$ 6,161,326
ACCUMULATED ENVIRONMENTAL REMEDIATION															
Beginning Balance	\$ -	\$ 1,251,025	\$ 1,251,025	\$ 1,900,783	\$ 2,503,245	\$ 3,119,378	\$ 3,735,511	\$ 4,351,644	\$ 4,967,777	\$ 5,583,910	\$ 6,200,043	\$ 6,816,178	\$ 6,181,283	\$ 6,147,658	\$ 6,161,326
Amortization Expense (1)															
Ending Balance	\$ -	\$ 1,251,025	\$ 1,900,783	\$ 2,503,245	\$ 3,119,378	\$ 3,735,511	\$ 4,351,644	\$ 4,967,777	\$ 5,583,910	\$ 6,200,043	\$ 6,816,178	\$ 6,181,283	\$ 6,147,658	\$ 6,161,326	\$ 6,161,326
<u>NET ENVIRONMENTAL REMEDIATION COSTS</u>															
	\$12,510,252	\$ 5,246,554	\$ 4,123,836	\$ 3,658,081	\$ 3,041,948	\$ 2,425,815	\$ 1,809,682	\$ 1,193,549	\$ 577,416	\$ (38,717)	\$ (654,852)	\$ (19,957)	\$ 13,568	\$ -	\$ -

(1) Amortization Expense is shown on a FY basis for this exhibit, actual booking of amortization expenses is on the DAC year (November through October)

Environmental Response Cost (ERC) - FY2005

Environmental Projects A/C # 10860001		Bal @ 6/30/2004	Bal @ 6/30/2005	FY05 Activity
I. Environmental Expenses				
907-1	Blackstone Street	\$0	\$0	\$0
907	Envir Phase II @ Allens Ave	\$1,420,955	\$1,435,531	\$14,576
908	Allens Avenue	\$3,340,361	\$3,345,791	\$5,430
908 - 01	Allens Avenue	\$13,834,651	\$13,776,131	(\$58,520)
306	Insur Pol, no Pollution Excl	\$40,002	\$40,002	\$0
307	PCB Reg Pipe Abandon.	\$33,686	\$73,581	\$39,895
309	Manchester Street	\$152,861	\$152,861	\$0
317	Plympton	\$77,333	\$77,333	\$0
379	Petroleum Site	\$487,965	\$493,991	\$6,026
700	18 & 21 Holders COR	\$58,046	\$59,791	\$1,745
161	Canal Street, Westerly	\$29,133	\$29,133	\$0
963	Narr. Electric, South St.	\$2,400	\$2,400	\$0
170	IAG Insurance Investment	\$47,987	\$47,987	\$0
170	General Enviro Issues	\$61,943	\$62,012	\$69
178	Site Inv Connell Hwy Newp	\$35,444	\$43,518	\$8,074
144	Westerly Soil Investigation	\$82,184	\$82,184	\$0
171	Contaminated Regulators	\$1,167,975	\$1,255,930	\$87,955
781	Mendon Road	\$121,355	\$121,355	\$0
782	Tidewater	\$321,832	\$324,530	\$2,698
783	Hamlet	\$96,961	\$96,961	\$0
784	Environmental Study	\$12,847	\$12,847	\$0
785	Gooding Ave	\$34,079	\$34,079	\$0
786	Plympton	\$23,382	\$23,382	\$0
787	Site Inv 19 Brown St, Warren RI	\$0	\$9,728	\$9,728
	Sub-Total	<hr/>	\$21,483,384	\$21,591,332
				\$107,948
II. Insurance Recovery/Settlement				
910	Environ Insur Settlement	\$10,437,515	\$10,408,756	(\$28,759)
III. Net FY2005 Environmental Response Costs				
			<hr/>	\$136,707

	On-System Margin Credit												
	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Total
Non-firm (dfh)													
Sales Transportation	132,974	161,505	143,966	163,119	152,471	108,690	23,684	48,489	107,709	118,052	123,026	127,330	1,411,015
sub-total	51,614	63,848	84,342	71,969	113,857	126,384	52,711	75,361	98,300	135,295	43,338	188,148	1,105,267
Non-firm Revenue													
Sales Transportation	\$1,034,411	\$1,200,885	\$1,099,428	\$1,271,824	\$1,151,439	\$306,110	\$547,193	\$1,004,634	\$1,230,241	\$1,290,676	\$1,164,167	\$12,948,129	\$905,442
sub-total	\$26,352	\$31,051	\$37,240	\$54,671	\$62,698	\$60,124	\$106,420	\$57,555	\$193,617	\$90,982	\$99,690	\$85,043	
less GET	\$1,060,762	\$1,231,936	\$1,136,668	\$1,326,495	\$1,769,759	\$1,211,564	\$412,590	\$604,748	\$1,198,251	\$1,321,223	\$1,330,366	\$1,249,210	\$13,853,571
Total Gas Costs	\$1,028,867	\$1,194,894	\$1,102,491	\$1,286,610	\$1,716,546	\$1,175,135	\$400,184	\$586,565	\$1,162,222	\$1,281,496	\$1,280,365	\$1,211,649	\$13,437,023
NF Margin	\$908,528	\$1,092,956	\$819,328	\$1,058,559	\$1,298,741	\$972,881	\$167,923	\$359,344	\$824,962	\$966,694	\$932,820	\$881,439	\$10,284,174
	\$120,340	\$101,938	\$283,163	\$228,051	\$417,805	\$202,254	\$232,261	\$227,221	\$337,260	\$314,802	\$357,544	\$330,210	\$3,152,849

Note 1: Transportation includes Pawtucket Power

Sharing Threshold	\$1,600,000
Margin in excess of Base Rate threshold	\$1,552,849
Company @ 25%	\$388,212
Ratepayers @ 75%	\$1,164,637
Annual DI Nov 05 - Oct 06	35,767,814
On-System Margin (\$/Df)	\$0.0326
On-System Margin (\$/Therm)	\$0.0033

Worksheet for Weather Normalization Clause

Tariff: RIPUC NEGC No. 101, Section 3, Schedule 3.6 Weather Normalization:

The Company shall compare actual heating degree days ("DD") to normal heating degree days at the end of each peak season (November through April). For each DD greater than 4,874 (2% colder than normal), the Company shall credit the Weather Normalization Account an amount equal to \$9,000 per DD. For each DD less than 4,682 (2% warmer than normal), the Company shall debit the Weather Normalization Account at \$9,000 per DD.

Calculation of Winter Season 2004-2005 Weather Normalization

	Actual Heating <u>Degree Days</u>	Normal
Nov-04	640	625
Dec-04	943	892
Jan-05	1,157	1,073
Feb-05	936	914
Mar-05	928	798
Apr-05	448	476
TOTAL	5,052	4,778
Degree Day Threshold (colder than normal) (reflects leap year)	4,874	
Degree Days in Excess of Threshold	-178	
Mitigation \$ per Degree Day	\$9,000	
Weather Mitigation	(\$1,602,000)	
Annual Dt Nov 05 - Oct 06	35,767,814	
Weather Normalization Factor (\$/Dt)	(\$0.0448)	
Weather Normalization Factor (\$/therm)	(\$0.0045)	

Distribution Adjustment Charge Reconciliation Factor

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Distribution Adjustment Charge Reconciliation Factor
(\$ Per Therm)

Line No.	Description	reference	Ending Balance
1	DSM Factor - Base Rates	PCC-6, page 2	(\$15,855)
2	LIAF Factor - Base Rates	PCC-6, page 2	(\$99,243)
3	Environmental - Base Rates	PCC-6, page 3	(\$65,967)
4	System Pressure	PCC-6, page 4	\$174,878
5	Environmental - DAC	PCC-6, page 4	\$12,373
6	On-System Margin Credits	PCC-6, page 5	\$14,334
7	Weather Normalization	PCC-6, page 5	\$176,729
8	Earnings Sharing Mechanism	PCC-6, page 5	\$207,207
9	Previous Reconciliation Factor	PCC-6, page 6	\$86,883
10	Total	sum ([1]-[9])	\$491,338
11	Firm Thru-put	Nov 2005 - Oct 2006	35,767,814 dth
12	Reconciliation Factor	[10] / [11]	\$0.0137 per dth
13	Reconciliation Factor	[12] / 10	\$0.0014 per therm

Distribution Adjustment Charge Reconciliation Factor

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Base Rate / Fiscal Year Reconciling Components

		Base Rate / Fiscal Year Reconciling Components												
		Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	12-mth end Jun 05
	source	31	31	(actual)	30	(actual)	31	(actual)						
DAC FACTORS: \$/dth														
DSM Factor - Base Rates	Dkt 3401	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087	\$0.0087
LIAP Factor - Base Rates	Dkt 3401	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519	\$0.0519
Environmental - Base Rates	Dkt 3401	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379	\$0.0379
RI Firm through-put (dth)	Classified's	1,101,670	1,001,147	1,051,301	1,352,071	2,800,536	3,822,379	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	1,623,158	36,340,913
DSM Recon. Adjustment - Base Rates														
DSM Recon. Acct Beg. Bal.	\$0	(\$338)	1,043,395	1,126,112	\$29	\$681	\$2,223	(\$322)	(\$3,209)	(\$5,629)	(\$8,069)	(\$12,981)	(\$12,900)	Target Collection \$300,000
Fest Firm Thru-put	1,062,847	1,043,395	\$9,247	\$9,797	1,528,945	2,471,545	3,858,840	5,353,921	5,771,059	5,148,808	3,616,705	2,211,777	1,346,413	34,540,366
Fest DSM Collections	1,101,670	1,001,147	1,051,301	1,352,071	\$21,502	2,800,535	3,822,379	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	\$11,714	\$300,501
Actual Firm Thru-put	\$9,585	\$8,710	\$9,146	\$11,763	\$24,365	\$3157	\$49,461	\$47,215	\$47,215	\$47,215	\$47,215	\$19,242	\$1623,158	36,287,433
Actual DSM Collections	(\$338)	\$368	\$651	\$1,539	(\$2,883)	(\$2,883)	(\$2,883)	(\$2,883)	(\$2,883)	(\$2,883)	(\$2,883)	(\$2,883)	(\$2,883)	(\$15,199)
Collection Variance	(\$338)	\$30	\$680	\$2,220	(\$640)	(\$321)	(\$320)	(\$320)	(\$320)	(\$320)	(\$320)	(\$320)	(\$320)	(\$2,407)
Ending Balance	(\$169)	(\$154)	\$355	\$1,451	\$792	(\$479)	(\$763)	(\$763)	(\$763)	(\$763)	(\$763)	(\$763)	(\$763)	(\$15,307)
Average Balance	2.25%	2.42%	2.49%	2.75%	2.93%	3.15%	3.25%	3.49%	3.49%	3.49%	3.49%	3.75%	3.98%	4.00%
Bk America Rate less 200 Basis Points	(\$8)	\$1	\$3	\$2	(\$1)	(\$5)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$1)	(\$15,199)
Interest Applied	(\$338)	\$29	\$681	\$2,223	(\$638)	(\$322)	(\$320)	(\$320)	(\$320)	(\$320)	(\$320)	(\$320)	(\$320)	(\$15,354)
DSM End Balance	(\$338)	\$368	\$652	\$1,542	(\$2,861)	\$316	(\$2,887)	(\$2,887)	(\$2,887)	(\$2,887)	(\$2,887)	(\$2,887)	(\$2,887)	(\$15,855)
Under/(over) Recovery	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$338)	(\$2,455)
LIAP Recon. Adjustment - Base Rates														
LIAP Recon. Acct Beg. Bal.	\$0	(\$2,017)	1,043,385	1,126,112	\$173	\$4,060	\$13,259	(\$3,805)	(\$1,920)	(\$19,142)	(\$33,578)	(\$48,140)	(\$75,653)	Target Collection \$1,785,000
Fest Firm Thru-put	1,062,847	1,043,385	\$55,162	\$54,152	1,528,945	2,471,545	3,858,840	5,353,921	5,771,059	5,148,808	3,616,705	2,211,777	1,346,413	34,540,366
Fest LIAP Collections	1,101,670	1,001,147	1,051,301	1,352,071	\$58,445	\$79,352	\$200,274	\$277,869	\$299,518	\$267,223	\$187,707	\$114,791	\$69,879	\$1,792,845
Actual Firm Thru-put	\$57,177	\$51,960	\$54,563	\$70,173	\$145,348	\$198,381	3,822,379	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	1,623,158	36,287,433
Actual LIAP Collections	(\$2,015)	\$2,192	\$3,382	\$9,179	(\$17,075)	\$1,893	(\$17,193)	(\$17,193)	(\$17,193)	(\$17,193)	(\$17,193)	(\$17,193)	(\$17,193)	(\$90,674)
Collection Variance	(\$2,015)	\$175	\$4,055	\$13,239	(\$3,816)	(\$3,816)	(\$1,912)	(\$1,912)	(\$1,912)	(\$1,912)	(\$1,912)	(\$1,912)	(\$1,912)	(\$1,912)
Ending Balance	(\$1,008)	(\$921)	\$2,114	\$8,649	\$4,721	(\$2,858)	(\$2,858)	(\$2,858)	(\$2,858)	(\$2,858)	(\$2,858)	(\$2,858)	(\$2,858)	(\$84,140)
Average Balance	2.25%	2.42%	2.49%	2.75%	2.93%	3.15%	3.25%	3.49%	3.49%	3.49%	3.49%	3.75%	3.98%	4.00%
Bk America Prime Rate less 200 Basis Points	(\$2,017)	\$173	\$4,060	\$13,259	(\$3,805)	\$11	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$8)	(\$24)
Interest Applied	(\$2,017)	\$2,190	\$3,886	\$9,199	(\$17,064)	\$1,985	(\$17,222)	(\$17,222)	(\$17,222)	(\$17,222)	(\$17,222)	(\$17,222)	(\$17,222)	(\$91,598)
LIAP End Balance	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$39,243)
Under/(over) Recovery	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$2,017)	(\$14,640)

Distribution Adjustment Charge Reconciliation Factor

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		Base Rate / Fiscal Year Reconciling Components												
		Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	12-mth end Jun 05
source	(actual)	31	31	30	31	30	31	31	31	30	31	30	30	
Environmental Recon. Adjust - Base Rates														
Fest Firm Thru-put	\$0	(\$1,472)	1,043,395	1,126,112	1,128	\$2,967	\$9,685	(\$2,775)	(\$1,398)	(\$13,974)	(\$24,517)	(\$35,150)	(\$55,241)	(\$56,195)
Fest Environmental Collections	1,062,847	1,043,395	1,042,680	1,051,301	1,052,071	2,471,545	3,858,840	5,353,921	5,771,059	5,148,808	3,616,705	2,211,777	1,346,413	34,540,366
Actual Firm Thru-put	1,101,670	1,001,147	1,001,147	1,051,301	1,352,071	93,672	146,250	202,914	218,723	195,140	137,073	83,826	51,029	\$1,309,081
Actual Environmental Collections	41,753	37,943	39,844	51,244	105,140	\$144,868	\$144,868	\$215,469	\$229,214	223,194	143,149	143,149	1,623,158	36,287,433
Ending Environmental Balance	(\$1,471)	\$130	\$2,964	\$9,670	(\$2,783)	(\$1,393)	(\$1,393)	(\$13,953)	(\$24,465)	\$205,683	\$157,025	\$84,592	\$61,518	\$1,375,293
Average Balance	(\$736)	(\$671)	\$1,546	\$6,319	\$3,451	(\$2,084)	(\$2,084)	(\$7,676)	(\$19,220)	(\$55,060)	(\$55,102)	(\$56,007)	(\$66,684)	(\$66,212)
Bk America Prime Rate less 200 Basis Points	2.25%	2.42%	2.49%	2.75%	2.93%	3.15%	3.25%	3.49%	3.58%	3.75%	3.98%	4.00%	4.00%	
Interest Applied	(\$1)	\$3	\$15	\$8	(\$6)	(\$6)	(\$6)	(\$51)	(\$91)	(\$139)	(\$139)	(\$188)	(\$202)	
Environmental End Balance	(\$1,472)	\$128	\$2,967	\$9,685	(\$2,775)	(\$1,398)	(\$1,398)	(\$13,974)	(\$24,517)	(\$35,150)	(\$55,241)	(\$56,195)	(\$66,886)	(\$674)
Under/(over) Recovery	(\$1,472)	\$1,601	\$2,839	\$6,718	(\$12,460)	\$1,376	(\$12,576)	(\$10,542)	(\$10,634)	(\$20,091)	(\$954)	(\$10,691)		(\$55,567)

Non-Base Rate / Gas Year Reconciling Components											12-mth end Oct 05			
	source	Nov-04 30 (actual)	Dec-04 31 (actual)	Jan-05 31 (actual)	Feb-05 28 (actual)	Mar-05 31 (actual)	Apr-05 30 (actual)	May-05 31 (actual)	Jun-05 30 (actual)	Jul-05 31 (forecast)	Aug-05 31 (forecast)	Sep-05 30 (forecast)	Oct-05 31 (forecast)	
<u>DAC FACTORS: \$/dth</u>														
System Pressure														
DSM - DAC		\$0.0528	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	\$0.0560	
Environmental - DAC		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
On-System Margin Credits		(\$0.0195)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	(\$0.0200)	
Weather Normalization		(\$0.0099)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	(\$0.0070)	
Earnings Sharing Mechanism		(\$0.0692)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	(\$0.0150)	
Reconciliation Factor		(\$0.0802)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	(\$0.0110)	
Dkt 3548		\$0.0132	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	\$0.0150	
RI Firm through put (dth)		Classified's	2,800,535	3,822,379	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	1,623,158	1,130,067	1,078,005	997,326	1,517,965
System Pressure Recon Adjust.														
System Pressure Acct Beg. Balance		\$0	(\$6,132)	\$30,659	\$552,700	\$342,084	\$213,729	\$76,261	\$39,706	\$46,081	\$80,257	\$117,994	\$160,007	
Actual Costs		\$101,792	\$20,865	\$839,608	\$126,868	\$174,713	\$94,101	\$85,241	\$97,131	\$97,233	\$97,748	\$97,378	\$99,274	
Actual Collections		\$147,868	\$214,053	\$318,371	\$338,680	\$303,911	\$232,016	\$124,991	\$90,897	\$63,284	\$60,368	\$55,850	\$85,006	
Ending Balance		(\$46,076)	\$30,680	\$551,896	\$340,888	\$212,886	\$75,815	\$39,510	\$45,940	\$60,030	\$117,637	\$159,522	\$174,274	
Average Monthly Balance		(\$23,038)	(\$7,726)	\$29,127.8	\$446,794	\$277,485	\$144,772	\$57,886	\$42,823	\$63,055	\$98,947	\$138,758	\$167,140	
Bk America Rate less 200 Basis Points		2.93%	3.15%	3.25%	3.49%	3.58%	3.75%	3.98%	4.00%	4.25%	4.25%	4.25%	4.25%	
Interest Applied		(\$55)	(\$21)	\$804	\$1,196	\$844	\$446	\$196	\$141	\$228	\$357	\$485	\$603	
Sys Pressure End Balance		(\$46,132)	\$30,659	\$552,700	\$342,084	\$213,729	\$76,261	\$39,706	\$46,081	\$80,257	\$117,994	\$160,007	\$174,878	
Under/(over) Recovery		(\$46,132)	\$76,791	\$522,041	(\$210,616)	(\$128,355)	(\$137,469)	(\$36,555)	\$6,375	\$34,177	\$37,737	\$42,013	\$14,871	
Environmental Recon. Adjust - DAC														
Environmental Acct Beg. Balance		(\$707,538)	(\$654,706)	(\$579,908)	(\$467,648)	(\$247,780)	(\$240,133)	(\$157,882)	(\$113,701)	(\$81,558)	(\$59,211)	(\$37,825)	(\$17,976)	
Pricing Classification Calculation		(\$2,800,535)	(\$3,822,379)	(\$5,685,194)	(\$6,047,865)	(\$5,426,990)	(\$4,143,149)	(\$2,231,974)	(\$1,623,158)	(\$1,130,067)	(\$1,078,005)	(\$97,326)	1,517,965	
Actual Environmental Collections		(\$54,470)	(\$76,448)	(\$113,704)	(\$120,957)	(\$108,549)	(\$82,863)	(\$44,639)	(\$32,463)	(\$22,601)	(\$21,560)	(\$19,947)	(\$30,359)	
Ending Environmental Balance		(\$653,068)	(\$578,258)	(\$662,204)	(\$346,890)	(\$239,241)	(\$157,270)	(\$113,243)	(\$81,238)	(\$58,957)	(\$37,651)	(\$17,879)	(\$12,383)	
Average Monthly Balance		(\$660,303)	(\$616,422)	(\$553,056)	(\$407,169)	(\$293,519)	(\$198,701)	(\$135,583)	(\$97,470)	(\$70,258)	(\$48,431)	(\$27,832)	(\$2,797)	
Bk America Rate less 200 Basis Points		2.93%	3.15%	3.25%	3.49%	3.58%	3.75%	3.98%	4.00%	4.25%	4.25%	4.25%	4.25%	
Interest Applied		(\$1,638)	(\$1,649)	(\$1,444)	(\$1,090)	(\$892)	(\$612)	(\$458)	(\$320)	(\$24)	(\$17)	(\$10)	(\$8,641)	
On-System Credit End Balance		(\$554,706)	(\$575,908)	(\$467,648)	(\$347,780)	(\$240,133)	(\$157,882)	(\$113,701)	(\$81,558)	(\$59,211)	(\$37,825)	(\$17,976)	(\$12,373)	
Under/(over) Recovery		\$52,832	(\$74,798)	(\$112,260)	(\$119,867)	(\$107,647)	(\$82,251)	(\$44,181)	(\$32,143)	(\$22,348)	(\$21,385)	(\$19,849)	(\$30,349)	

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Non-Base Rate / Gas Year Reconciling Components

source	On-system Credits Recon. Adjust. - DAC	Nov-04 30 (actual)	Dec-04 31 (actual)	Jan-05 31 (actual)	Feb-05 28 (actual)	Mar-05 31 (actual)	Apr-05 30 (actual)	May-05 31 (actual)	Jun-05 30 (actual)	Jul-05 31 (forecast)	Aug-05 31 (forecast)	Sep-05 30 (forecast)	Oct-05 31 (forecast)	12-mth end Oct 05
On-system Credit Acct Beg. Balance														
Actual Firm Thru-put	Pricing	(\$246,514)	(\$219,489)	(\$193,284)	(\$153,966)	(\$111,987)	(\$74,280)	(\$45,463)	(\$29,966)	(\$18,684)	(\$10,827)	(\$3,306)	\$3,676	
Actual On-system Collections	Classified's Calculation	2,800,535	3,822,378	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	1,623,158	1,130,067	1,078,005	997,326	1,517,965	36,504,607
Ending On-system Balance		(\$27,555)	(\$26,757)	(\$39,796)	(\$42,335)	(\$37,989)	(\$29,002)	(\$15,624)	(\$11,362)	(\$7,910)	(\$7,546)	(\$6,981)	(\$10,626)	(\$263,514)
Average Monthly Balance		(\$218,929)	(\$192,733)	(\$153,488)	(\$111,631)	(\$73,998)	(\$45,278)	(\$29,839)	(\$18,604)	(\$10,773)	(\$3,281)	\$3,675	\$14,326	
Bk America Rate less 200 Basis Points		(\$232,721)	(\$206,111)	(\$173,386)	(\$132,799)	(\$92,992)	(\$59,779)	(\$37,651)	(\$24,235)	(\$14,729)	(\$7,054)	\$185	\$8,939	
Interest Applied		(\$590)	(\$551)	(\$79)	(\$349%)	(\$58%)	(\$184%)	(\$127%)	(\$80%)	(\$53%)	(\$25%)	\$1	\$32	(\$2,666)
On-system Credit End Balance		(\$219,489)	(\$193,284)	(\$153,966)	(\$111,987)	(\$74,280)	(\$45,463)	(\$29,966)	(\$18,684)	(\$10,827)	(\$3,306)	\$3,676	\$14,324	
Under/(over) Recovery		\$27,025	\$26,205	\$39,318	\$41,980	\$37,706	\$28,818	\$15,497	\$11,282	\$7,857	\$7,521	\$6,982	\$10,658	
Weather Normalization - DAC														
WNA Act Beg. Balance	Pricing	(\$522,000)	(\$329,367)	(\$272,836)	(\$188,193)	(\$97,858)	(\$16,627)	\$45,565	\$79,255	\$103,903	\$121,260	\$137,897	\$153,365	
Actual Firm Thru-put	Classified's Calculation	2,800,535	3,822,379	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	1,623,158	1,130,067	1,078,005	997,326	1,517,965	36,504,607
Actual WNA Collections		(\$193,657)	(\$57,336)	(\$85,278)	(\$90,718)	(\$81,405)	(\$62,147)	(\$33,480)	(\$24,347)	(\$16,951)	(\$14,960)	(\$22,769)	(\$699,218)	
Ending WNA Balance		(\$328,343)	(\$272,031)	(\$187,558)	(\$97,475)	(\$16,453)	(\$57,521)	(\$79,045)	(\$103,603)	(\$120,854)	(\$137,430)	\$152,857	\$176,134	
Average Monthly Balance		(\$45,172)	(\$300,689)	(\$230,197)	(\$142,834)	(\$57,155)	(\$14,447)	(\$62,305)	(\$91,429)	(\$112,379)	(\$129,345)	\$145,377	\$164,749	
Bk America Rate less 200 Basis Points		2,93%	3,15%	3,25%	3,49%	3,58%	3,75%	3,98%	4,00%	4,25%	4,25%	4,25%	4,25%	
Interest Applied		(\$1,024)	(\$804)	(\$635)	(\$382)	(\$174)	(\$45)	(\$211)	(\$301)	(\$406)	(\$467)	\$508	\$595	(\$489)
Weather Normalization End Balance		(\$329,367)	(\$272,836)	(\$188,193)	(\$97,858)	(\$16,627)	(\$45,565)	(\$79,255)	(\$103,903)	(\$121,260)	(\$137,897)	\$153,365	\$176,729	
Under/(over) Recovery		\$192,633	\$56,531	\$84,643	\$90,336	\$81,231	\$62,192	\$33,690	\$24,648	\$17,357	\$16,637	\$15,468	\$23,364	
Earnings Sharrings Mechanism - DAC														
ESM/Acc Beg. Balance	Pricing	(\$390,545)	(\$166,612)	(\$124,955)	(\$62,677)	\$3,771	\$63,570	\$109,411	\$134,374	\$152,700	\$165,704	\$178,182	\$189,794	
Actual Firm Thru-put	Classified's Calculation	2,800,535	3,822,379	5,685,194	6,047,855	5,426,990	4,143,149	2,231,974	1,623,158	1,130,067	1,078,005	997,326	1,517,965	36,504,607
Actual ESM Collections		(\$22,603)	(\$42,046)	(\$62,537)	(\$59,597)	(\$45,527)	(\$24,552)	(\$17,855)	(\$12,431)	(\$11,858)	(\$10,971)	(\$16,698)	(\$595,348)	
Ending ESM Balance		(\$16,942)	(\$124,666)	(\$62,448)	(\$3,850)	(\$63,168)	(\$10,145)	(\$133,962)	(\$152,229)	(\$165,130)	(\$177,562)	\$189,152	\$206,491	
Average Monthly Balance		(\$278,244)	(\$15,589)	(\$93,687)	(\$29,414)	(\$33,619)	(\$86,357)	(\$121,687)	(\$143,301)	(\$158,915)	(\$171,633)	\$183,667	\$198,143	
Bk America Rate less 200 Basis Points		2,93%	3,15%	3,25%	3,49%	3,58%	3,75%	3,98%	4,00%	4,25%	4,25%	4,25%	4,25%	
Interest Applied		(\$670)	(\$390)	(\$259)	(\$79)	\$102	\$266	\$411	\$471	\$574	\$620	\$642	\$715	\$2,404
Earnings Sharing End Balance		(\$166,612)	(\$124,955)	(\$62,677)	(\$3,771)	\$63,570	\$109,411	\$134,374	\$152,700	\$165,704	\$178,182	\$189,794	\$207,207	
Under/(over) Recovery		\$223,933	\$41,657	\$62,279	\$66,448	\$55,799	\$45,841	\$24,963	\$18,326	\$13,004	\$12,478	\$11,612	\$17,413	

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Non-Base Rate / Gas Year Reconciling Components

source	Non-Base Rate / Gas Year Reconciling Components												12-mth end Oct 05
	Nov-04 30 (actual)	Dec-04 31 (actual)	Jan-05 31 (actual)	Feb-05 28 (actual)	Mar-05 31 (actual)	Apr-05 30 (actual)	May-05 31 (actual)	Jun-05 30 (actual)	Jul-05 31 (forecast)	Aug-05 31 (forecast)	Sep-05 30 (forecast)	Oct-05 31 (forecast)	
Reconciliation Factor - DAC													
Pricing Classified's Calculation	\$619,389	\$583,869	\$528,019	\$444,081	\$354,430	\$273,979	\$212,581	\$179,763	\$155,967	\$139,548	\$123,853	\$109,299	
Actual Factor Acc't Beg. Balance	2,800,535	3,822,319	5,685,194	6,047,865	5,426,990	4,143,149	2,231,974	1,623,158	1,130,067	1,078,005	997,326	1,517,965	
Actual Firm Thru-put	\$36,967	\$57,336	\$85,278	\$90,718	\$81,405	\$62,147	\$24,347	\$16,951	\$16,170	\$14,960	\$22,769		
Actual Recon Collections	\$582,422	\$526,534	\$442,741	\$353,363	\$273,025	\$211,832	\$179,101	\$155,416	\$139,016	\$123,378	\$108,893	\$86,530	
Ending Recon Balance	\$600,906	\$525,201	\$485,380	\$358,722	\$313,728	\$242,906	\$195,841	\$167,589	\$147,491	\$131,463	\$116,373	\$97,914	
Average Monthly Balance	2,93%	3.15%	3.25%	3.49%	3.58%	3.75%	4.00%	3.98%	4.00%	4.25%	4.25%	4.25%	
Bk America Rate less 200 Basis Points	\$1,447	\$1,485	\$1,340	\$1,067	\$954	\$749	\$662	\$551	\$475	\$407	\$353	\$353	
Interest Applied	\$583,869	\$528,019	\$444,081	\$354,430	\$273,979	\$212,581	\$179,763	\$155,967	\$139,548	\$123,853	\$109,299	\$86,883	\$10,022
Earnings Sharing End Balance													
Under/(over) Recovery	(\$35,520)	(\$55,850)	(\$83,938)	(\$89,650)	(\$56,451)	(\$61,399)	(\$23,798)	(\$32,818)	(\$16,419)	(\$15,696)	(\$14,553)	(\$22,416)	

Distribution Adjustment Charge Reconciliation Factor

Attachment PCC-6
Docket No. 3690
August 1, 2005
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Non-Base Rate / Gas Year Reconciling Components

October 31, 2004 Ending Deferred Balances

	Forecast (1)	Actual	Variance
System Pressure	\$542,857	\$573,564	(\$30,707)
Environmental - DAC	\$9,024	\$25,523	(\$16,499)
On-System Margin Credits	\$3,893	(\$2,496)	\$6,389
Weather Normalization	\$49,355	(\$12,672)	\$62,027
Earnings Sharing Mechanism	\$60,459	(\$14,698)	\$75,157
Previous Reconciliation Factor	(\$2,845)	\$2,890	(\$5,735)
	\$662,743	\$572,110	\$90,633

Notes:

- (1) based on corrected PCC-7 pages 4 and 5 - used to establish reconciliation component of November 2004 DAC factor

Non-Base Rate / Gas Year Reconciling Components

	source	Jul-04 31 (actual)	Aug-04 31 (actual)	Sep-04 30 (actual)	Oct-04 31 (actual)
System Pressure Recon Adjust.					
System Pressure Acct Beg. Balance	\$395,656	\$439,825	\$498,584	\$50,794	
Actual Costs	\$98,015	\$107,453	\$103,282	\$88,521	
Actual Collections	\$54,643	\$49,657	\$52,145	\$67,063	
Ending Balance	\$439,028	\$497,621	\$549,722	\$572,252	
Average Monthly Balance	\$417,342	\$468,723	\$524,153	\$561,523	
Fleet Prime Rate less 200 Basis Points	2.25%	2.42%	2.49%	2.75%	
Interest Applied	\$798	\$963	\$1,073	\$1,312	
Sys Pressure End Balance	\$439,825	\$498,584	\$550,794	\$573,564	
Under/(over) Recovery	\$44,169	\$58,759	\$52,210	\$22,769	

Environmental Recon. Adjust - DAC

Environmental Acct Beg. Balance	Pricing	(\$85,290)	(\$64,612)	(\$45,803)	(\$26,007)
Actual Firm Thru-put	Classified's Calculation	1,101,670	1,001,147	1,051,301	1,352,071
Actual Environmental Collections		(\$20,822)	(\$18,922)	(\$19,870)	(\$25,554)
Ending Environmental Balance		(\$64,468)	(\$45,690)	(\$25,934)	(\$453)
Average Monthly Balance		(\$74,879)	(\$55,151)	(\$35,868)	(\$13,230)
Fleet Prime Rate less 200 Basis Points	2.25%	2.42%	2.49%	2.75%	
Interest Applied	(\$143)	(\$113)	(\$73)	(\$31)	
On-system Credit End Balance		(\$64,612)	(\$45,803)	(\$26,007)	(\$484)
Under/(over) Recovery		\$20,678	\$18,808	\$19,796	\$15,523

On-system Credits Recon. Adjust. - DAC

On-system Credit Acct Beg. Balance	Pricing	(\$59,464)	(\$45,573)	(\$32,939)	(\$19,641)
Actual Firm Thru-put	Classified's Calculation	1,101,670	1,001,147	1,051,301	1,352,071
Actual On-system Collections		(\$13,991)	(\$12,715)	(\$13,352)	(\$17,171)
Ending On-system Balance		(\$45,473)	(\$32,858)	(\$19,588)	(\$2,470)
Average Monthly Balance		(\$52,468)	(\$39,216)	(\$26,263)	(\$11,056)
Fleet Prime Rate less 200 Basis Points	2.25%	2.42%	2.49%	2.75%	
Interest Applied	(\$100)	(\$81)	(\$54)	(\$26)	
On-system Credit End Balance		(\$45,573)	(\$32,939)	(\$19,641)	(\$2,496)
Under/(over) Recovery		\$13,891	\$12,634	\$13,298	\$17,145

Non-Base Rate / Gas Year Reconciling Components

	source	Jul-04 31 (actual)	Aug-04 31 (actual)	Sep-04 30 (actual)	Oct-04 31 (actual)
Weather Normalization - DAC					
WNA Acct Beg. Balance	Pricing	(\$565,853)	(\$430,969)	(\$308,286)	(\$179,159)
Actual Firm Thru-put	Classified's Calculation	1,101,670	1,001,147	1,051,301	1,352,071
Actual WNA Collections		(\$135,936)	(\$123,441)	(\$129,625)	(\$166,710)
Ending WNA Balance		(\$430,017)	(\$307,527)	(\$3243,473)	(\$12,449)
Average Monthly Balance		(\$497,935)	(\$369,248)		(\$95,804)
Fleet Prime Rate less 200 Basis Points		2.25%	2.42%	2.49%	2.75%
Interest Applied		(\$852)	(\$759)	(\$498)	(\$224)
Weather Normalization End Balance		(\$30,969)	(\$308,286)	(\$179,159)	(\$1,2672)
Under/(over) Recovery		\$134,884	\$122,682	\$129,127	\$166,487
Earnings Sharings Mechanism - DAC					
ESM Acct Beg. Balance	Pricing	(\$684,981)	(\$521,543)	(\$372,890)	(\$216,428)
Actual Firm Thru-put	Classified's Calculation	1,101,670	1,001,147	1,051,301	1,352,071
Actual ESM Collections		(\$164,589)	(\$49,571)	(\$157,064)	(\$201,999)
Ending ESM Balance		(\$520,392)	(\$371,972)	(\$215,826)	(\$14,429)
Average Monthly Balance		(\$602,686)	(\$446,758)	(\$284,358)	(\$115,428)
Fleet Prime Rate less 200 Basis Points		2.25%	2.42%	2.49%	2.75%
Interest Applied		(\$1,152)	(\$918)	(\$602)	(\$270)
Earnings Sharing End Balance		(\$521,543)	(\$372,890)	(\$216,428)	(\$14,698)
Under/(over) Recovery		\$163,438	\$148,653	\$156,462	\$201,730
Reconciliation Factor - DAC					
Recon Factor Acct Beg. Balance	Pricing	\$54,021	\$41,553	\$30,214	\$18,279
Actual Firm Thru-put	Classified's Calculation	1,101,670	1,001,147	1,051,301	1,352,071
Actual Recon Collections		\$12,559	\$11,413	\$11,985	\$15,414
Ending Recon Balance		\$41,462	\$30,140	\$18,229	\$2,865
Average Monthly Balance		\$47,741	\$35,847	\$24,221	\$10,572
Fleet Prime Rate less 200 Basis Points		2.25%	2.42%	2.49%	2.75%
Interest Applied		\$91	\$74	\$50	\$25
Earnings Sharing End Balance		\$41,553	\$30,214	\$18,279	\$2,860
Under/(over) Recovery		(\$12,468)	(\$11,339)	(\$11,935)	(\$15,389)